

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

F

W-02502A
Flagstaff Ranch Water Company, Inc
PO Box 10775
Phoenix, AZ 85064

RECEIVED

FEB 22 2006

Arizona Corporation Commission
Director of Utilities

ANNUAL REPORT

FOR YEAR ENDING

12	31	2005
----	----	------

FOR COMMISSION USE

ANN04	05
-------	----

COMPANY INFORMATION

Company Name (Business Name) Flagstaff Ranch Water Co. Inc.

Mailing Address P. O. Box 10775

(Street)

Phoenix,

(City)

Arizona

(State)

85064

(Zip)

602 954 0321

Telephone No. (Include Area Code)

602 957 3159

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

Local Office Mailing Address P. O. Box 10775

(Street)

Phoenix

(City)

Arizona

(State)

85064

(Zip)

602 954 0321

Local Office Telephone No. (Include Area Code)

602 957 3159

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: Herbert Dreiseszun

(Name)

Sec/Trea

(Title)

P. O. Box 10775

(Street)

Phoenix

(City)

Arizona

(State)

85064

(Zip)

602 954 0321

Telephone No. (Include Area Code)

602 957 3159

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

On Site Manager: Patrick Vinson

(Name)

4888 E. Half Moon

(Street)

Flagstaff

(City)

Arizona

(State)

86004

(Zip)

928 853 2531

Telephone No. (Include Area Code)

928 527 8603

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Herbert Dreiseszun

(Name)

5045 N. 12th Street #110 Phoenix,

(Street)

(City)

AZ

(State)

85014

(Zip)

602 954 0321

Telephone No. (Include Area Code)

602 957 3159

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Attorney: William Sullivan

(Name)

2712 N. 7th Street

(Street)

Phoenix,

(City)

Arizona

(State)

86006

(Zip)

602 393 1700

Telephone No. (Include Area Code)

602 393 1701

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☒ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

COMPANY NAME

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises	75102		
303	Land and Land Rights			
304	Structures and Improvements	80252		
307	Wells and Springs			
311	Pumping Equipment	69409		
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	262809		
331	Transmission and Distribution Mains	430522		
333	Services			
334	Meters and Meter Installations			
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	908094	810316	116722

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME Flagstaff RAnch Water Co., Inc.

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises	75102		
303	Land and Land Rights			
304	Structures and Improvements	80252		
307	Wells and Springs			
311	Pumping Equipment	69409		
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	262809		
331	Transmission and Distribution Mains	430522		
333	Services			
334	Meters and Meter Installations			
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	908094		51868

This amount goes on the Comparative Statement of Income and Expense _____
Acct. No. 403.

COMPANY NAME

BALANCE SHEET

Acct .No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 123,857	\$ 72,284
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 123,857	\$ 72,284
	FIXED ASSETS		
101	Utility Plant in Service	\$ 838,130	\$ 838,130
103	Property Held for Future Use		
105	Construction Work in Progress		88,908
108	Accumulated Depreciation – Utility Plant	758,448	810,316
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 79,682	\$ 116,722
	TOTAL ASSETS	\$ 203,539	\$ 189,006

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITES		
231	Accounts Payable	\$	\$
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits		
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$	\$
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$	\$
	TOTAL LIABILITIES	\$	\$
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 917172	\$ 917172
211	Paid in Capital in Excess of Par Value	141458	141458
215	Retained Earnings	(843970)	(855090)
218	Proprietary Capital (Sole Props and Partnerships) LOSS	11121	14535
	TOTAL CAPITAL	\$ 203539	\$ 189006
	TOTAL LIABILITIES AND CAPITAL	\$ 203539	\$ 189006

COMPANY NAME Flagstaff Ranch Water Co., Inc.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 97595	\$ 97,557
460	Unmetered Water Revenue	22425	15,279
474	Other Water Revenues		
	TOTAL REVENUES	\$ 120020	\$ 112836
	OPERATING EXPENSES		
601	Salaries and Wages /Management	\$ 52568	\$ 55253
610	Purchased Water		
615	Purchased Power	16872	11686
618	Chemicals		
620	Repairs and Maintenance	15849	13993
621	Office Supplies and Expense	1985	224
630	Outside Services		
635	Water Testing	1472	3513
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability	4715	4806
659	Insurance - Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense/Legal and professional	3232	11742
403	Depreciation Expense	51868	51868
408	Taxes Other Than Income		
408.11	Property Taxes	2078	3111
409	Income Tax	45	45
	TOTAL OPERATING EXPENSES	\$ 150864	\$ 164078
	OPERATING INCOME/(LOSS)	\$ (30844)	\$ 52002
	OTHER INCOME/(EXPENSE)	19542	37,275
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	TOTAL OTHER INCOME/(EXPENSE)	\$ 19542	\$ 37275
	NET INCOME/(LOSS)	\$ (11121)	\$ (14535)

COMPANY NAME Flagstaff RAnch Water Co., Inc.

SUPPLEMENTAL FINANCIAL DATA

NONE

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$ - 0 -

Meter Deposits Refunded During the Test Year \$

COMPANY NAME Flagstaff Ranch Water Co., Inc.

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55 509021	60	60	1600	12	1	1984

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
None		66	

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
595000	1	595000	1

COMPANY NAME Flagstaff Ranch Water Co., Inc.

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4		
5		
6		
8		
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	
3/4	101
1	46
1 1/2	3
2	
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

None

STRUCTURES:

OTHER:

COMPANY NAME: Flagstaff Ranch Water Co. Inc.

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2005

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	143	snow	
FEBRUARY	143	snow	
MARCH	145	snow	
APRIL	146	857000 3 mons	
MAY	146	523000	
JUNE	146	607000	
JULY	150	687000	
AUGUST	151	789000	
SEPTEMBER	151	914000	
OCTOBER	154	722000	
NOVEMBER	158	425000	
DECEMBER	158	310000	
TOTAL		7,548,000	

Is the Water Utility located in an ADWR Active Management Area (AMA)?

() Yes

(x) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

() Yes

(x) No

If yes, provide the GPCPD amount: _____

What is the level of arsenic for each well on your system. 0.032 mg/l

(If more than one well, please list each separately.)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME Flagstaff Ranch Water Co., Inc.YEAR ENDING 12/31/2005**PROPERTY TAXES**Amount of actual property taxes paid during Calendar Year 2005 was: \$ 3111

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

FLAGSTAFF RANCH WATER CO., INC.
P. O. BOX 10775, COCHISE COUNTY
TUCSON, AZ 85711

1609

PAY TO THE ORDER OF Cochise County Treasurer

DATE 4/6/05

\$ 1156.85

One thousand one hundred fifty-six and 85/100

FOR 936-90-100

POD1609 C122105210C P111103482P P0000115885

4/29/05 1609 1,156.85

11/10/05 1664 1,522.75

FLAGSTAFF RANCH WATER CO., INC.
P. O. BOX 10775, COCHISE COUNTY
TUCSON, AZ 85711

1671

PAY TO THE ORDER OF Cochise County Treasurer

DATE 10/14/05

\$ 431.72

Four hundred thirty-one and 72/100

FOR 936-90-100

POD1671 C122105210C P111103482P P0000043172

11/10/05 1671 431.72

FLAGSTAFF RANCH WATER CO., INC.
P. O. BOX 10775, COCHISE COUNTY
TUCSON, AZ 85711

1664

PAY TO THE ORDER OF Cochise County Treasurer

DATE 10/10/05

\$ 1522.75

One thousand five hundred twenty-two and 75/100

FOR 936-90-100

POD1664 C122105210C P111103482P P0000152275

COMPANY NAME Flagstaff Ranch Water Co., Inc.

YEAR ENDING 12/31/2005

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>-0-</u>
Estimated or Actual Federal Tax Liability	<u>-0-</u>

State Taxable Income Reported	<u>-0-</u>
Estimated or Actual State Tax Liability	<u>-0-</u>

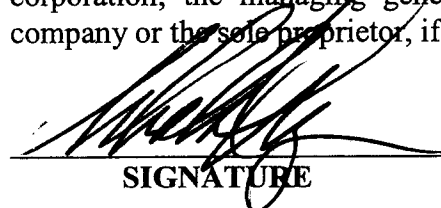
Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	<u>-0-</u>
Amount of Gross-Up Tax Collected	<u>-0-</u>
Total Grossed-Up Contributions/Advances	<u>-0-</u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.



SIGNATURE

2/20/06

DATE

Herbert Dreiseszun

PRINTED NAME

Sec/Trea

TITLE

VERIFICATION
AND
SWORN STATEMENT
Taxes

RECEIVED

FEB 22 2006

Z Corporation Commissic
Director of Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
Maricopa
NAME (OWNER OR OFFICIAL) TITLE
Herbert DReiseszun, Sec/Trea
COMPANY NAME
Flagstaff Ranch Water Co., Inc.

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

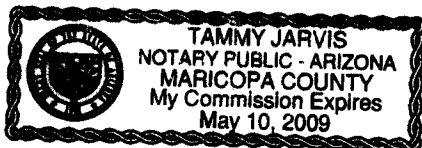
MONTH	DAY	YEAR
12	31	2005

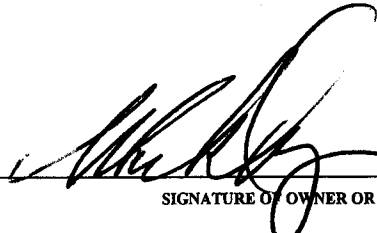
HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.




SIGNATURE OF OWNER OR OFFICIAL
602 954 0321
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

21st

DAY OF Feb

COUNTY NAME
Maricopa
MONTH Feb.
2006

(SEAL)

MY COMMISSION EXPIRES May 10 2009


SIGNATURE OF NOTARY PUBLIC

RECEIVED

FEB 22 2006

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

Z Corporation Commissic
Director of Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
<u>Maricopa</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>Herbert Dreiseszun, Se/Trea</u>
COMPANY NAME
<u>Flagstaff Ranch Water Co., Inc.</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

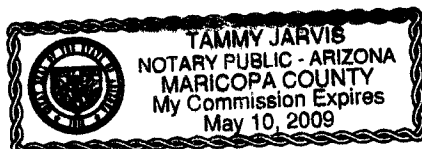
FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2005</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2005 WAS:



Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 112836

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 768

IN SALES TAXES BILLED, OR COLLECTED)

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

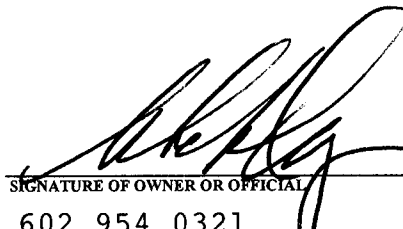
THIS

21st


DAY OF

(SEAL)

MY COMMISSION EXPIRES May 10 2009


SIGNATURE OF OWNER OR OFFICIAL
602 954 0321
TELEPHONE NUMBER

COUNTY NAME	
<u>Maricopa</u>	
MONTH <u>Feb</u>	<u>2006</u>


SIGNATURE OF NOTARY PUBLIC

RECEIVED

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY

FEB 22 2006

Corporation Commission
Director of Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Maricopa	
NAME (OWNER OR OFFICIAL) Herbert Dreiseszun	TITLE Sec/Trea
COMPANY NAME Flagstaa Ranch Water Co., Inc.	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

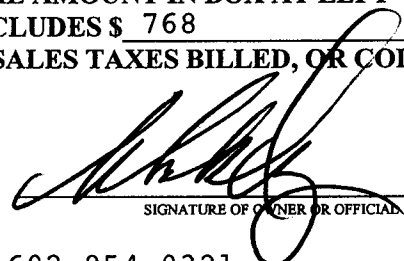
SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2005 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES \$ 112836
--

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 768
IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.


SIGNATURE OF OWNER OR OFFICIAL
602 954 0321
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

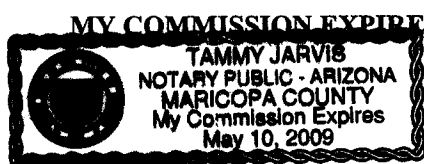
THIS

21st

DAY OF

NOTARY PUBLIC NAME Tammy Jarvis	
COUNTY NAME Maricopa	
MONTH Feb	2006

(SEAL)



MY COMMISSION EXPIRES May 10 2009

x 
SIGNATURE OF NOTARY PUBLIC

FLAGSTAFF RANCH WATER COMPANY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2005

ABBOTT & COMPANY, LTD.
CERTIFIED PUBLIC ACCOUNTANTS
PHOENIX, ARIZONA

ACCOUNTANTS' COMPILATION REPORT

FLAGSTAFF RANCH WATER COMPANY, INC.
PHOENIX, ARIZONA

We have compiled the accompanying Statement of Assets, Liabilities and Equity - Income Tax Basis of

FLAGSTAFF RANCH WATER COMPANY, INC. as of December 31, 2005

and the related Statement of Revenues and Expenses - Income Tax Basis for the period then ended, and the accompanying Supplementary Information - Income Tax Basis, which is presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the accounting basis used by the Company for federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

01/15/06

Abbott & Company, Ltd.

FLAGSTAFF RANCH WATER COMPANY, INC.

Statement of Assets, Liabilities and Equity - Income Tax Basis

December 31, 2005

ASSETS

Cash	
Northern Trust Bank, Checking	\$ 21,239
Northern Trust Bank, Money Market	41,030
Northern Trust Bank, CD	6,198
Wells Fargo Bank	3,817
Total Cash	<u>72,284</u>
Property and Equipment	
Plant Assets	927,038
Accumulated Depreciation	(810,316)
Total Property and Equipment	<u>116,722</u>
Total Assets	<u><u>\$ 189,006</u></u>

LIABILITIES AND EQUITY

Current Liabilities	
Accrued State Income Taxes	\$ 45
Total Current Liabilities	<u>45</u>
Capital Stock	917,172
Additional Paid-in Capital	141,414
Retained Earnings (Deficit)	(855,090)
Net Income (Loss) For The Period	(14,535)
Total Liabilities and Equity	<u><u>\$ 189,006</u></u>

FLAGSTAFF RANCH WATER COMPANY, INC.

Statement of Revenues and Expenses - Income Tax Basis

Year Ended December 31, 2005

Revenues	
Water Income	\$ 112,836
Rental Income	35,200
Interest Income	2,275
Sales Taxes	(768)
	<hr/>
Total Revenues	149,543
	<hr/>
Operating Expenses	
Water Testing Services	\$ 3,513
Management Fees	55,253
Repairs and Maintenance	13,993
Printing	224
Postage	45
Professional Fees	11,742
Commission Expense	6,387
Dues and Subscriptions	160
Real Estate Taxes	3,111
Insurance	4,806
Licenses and Taxes	1,245
Electricity	11,686
State Income Taxes	45
Depreciation and Amortization Expense	51,868
	<hr/>
Total Operating Expenses	164,078
	<hr/>
Net Income (Loss)	\$ (14,535)
	<hr/>

RECEIVED

TO: Public Service Corporations (Water Utilities)

FEB 22 2006

FROM: Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**Arizona Corporation Commission
Director of Utilities**

RE: UTILITIES DIVISION ANNUAL REPORT, CALENDAR YEAR ENDING
DECEMBER 31, 2005

Enclosed is the Utilities Division Annual Report form for the calendar year ending December 31, 2005.

All public service corporations must file a Utilities Division Annual Report with the Commission pursuant to the Constitution of the State of Arizona, Article 15, Section 13; Arizona Revised Statutes, Section 40-204; and Commission Rules contained in the Arizona Administrative Code.

The Annual Report must be completed and filed by **April 15, 2006**. Failure to file an Annual Report by this date will result in the issuance of a complaint and order to show cause resulting in administrative fines. If you require additional time to file your Annual Report, you may make a request to the Commission by addressing a letter to:

**Compliance Section
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007**

However, you must still file the "VERIFICATION AND SWORN STATEMENT" and the "VERIFICATION AND SWORN STATEMENT RESIDENTIAL REVENUE" forms from the back of the Annual Report form by **MAY 1, 2006**, pursuant to Arizona Revised Statute 40-401.

Mail or deliver the completed Annual Report to:

**Compliance Section
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007**